



Monthly Economic Update

February 2004



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This report is a monthly update to the Quarterly Economic Indicators Report, both of which are available on the internet @ <http://www.montgomerycountymd.gov/finance>. For questions, please call (240) 777-8866.

➤ **Economic Conditions.** During the month of February, the economy continued to show positive momentum that propelled it during the second half of last year. Industrial production was up 0.7 percent in February and 1.5 percent since December, the largest two-month gain since September-November 1999. Consumers continued to spend with retail sales up 9.9 percent in February over February 2003. Businesses increased their investment in non-defense capital goods (less aircraft) 1.1 percent.

However, not all indicators experienced upward momentum. Consumer confidence continued its erratic performance declining 9.4 percent in February after increasing 5.1 percent in January. According to the Conference Board, consumer disappointment was largely attributed to the labor market. While the economy has generated jobs over the past six months, the pace of employment growth remains below consumers' expectations. February's employment report was disappointing. Only 21,000 jobs were created, all of which were in the public sector.

The regional economy, as measured by the Washington Coincident Index, declined in January by 0.5 percent. According to the Center for Regional Analysis, the decline was "largely seasonal in nature" and is nearly always lower than the preceding December. However, based on a 12-month moving average, the index has increased for the first time in more than a year.

➤ **Labor Market.** The labor force data for the County continues to show modest improvement in employment with low unemployment. Based on data provided by the State, the unemployment rate was 2.6 percent in January compared to 2.7 percent a year ago and 4.7 percent for the State.

Resident employment grew 2.3 percent in January from January 2003 to over 497,000, the largest year-over-year percentage increase since July 2002.

However, growth in payroll jobs continued to lag resident employment. During the first three quarters of 2003, the latest date for which data are available, payroll employment in the County increased 0.2 percent (883 jobs) compared to the first three quarters of 2002. Most of the job growth during that period was in service sector. The financial industry gained almost 1,800 jobs followed by the education and health services sector which gained over 1,200 jobs. September's payroll employment showed a modest increase of 113 jobs compared to September 2002.

➤ **Real Estate.** Home sales in the County declined almost 4 percent in February, which followed a modest decline in January. For the first two months of 2004, home sales declined 1.9 percent compared to the first two months of 2003. However, prices in February continued to increase with average prices up 15.9 percent and median prices up 18.5 percent over last year.

According to *The Washington Post*, the most expensive Zip codes in the County in 2003 were in Bethesda (20815 and 20816) with median selling prices of \$670,000 to \$675,000. The newspaper also states that there are no Zip codes in the County with median sales prices under \$200,000.

Residential construction rebounded in February with a 15.6 percent increase in value of construction starts compared to February 2003 and up 46 percent for the first two months compared to the same period last year. While the value of non-residential construction starts declined in February compared to last year, they increased 10 percent during the January-February period compared to the January-February period last year. The decline in February was attributed to a significant drop in the construction of manufacturing and education and science facilities, while the value of commercial construction increased 21.2 percent with a threefold increase in office and bank buildings adding an additional 417,000 square feet of office capacity this year.

SELECTED ECONOMIC INDICATORS	Reporting Period	Current Period	Prior Year's Period	Year To-Date		
				2003	2002	2002
Leading Indicators						
National	Feb	0.0%		3.0%		0.7%
Washington MSA	Jan	1.2%		2.5%		-0.6%
Coincident Indicators						
National	Feb	0.3%		1.1%		0.2%
Washington MSA	Jan	-0.5%		1.9%		0.0%
Consumer Confidence Index						
National	Feb	-9.4%		13.6%		-14.7%
South Atlantic Region	Feb	-4.5%		16.5%		-9.6%
Consumer Sentiment (University of Michigan)	Feb	-9.1%		6.8%		-2.4%
Consumer Price Index						
All Items (nsa)						
National	Feb	1.7%		2.3%		1.6%
Washington - Baltimore CMSA	Jan	2.2%		2.8%		2.4%
Core CPI (nsa)						
National	Feb	1.6%		1.5%		2.3%
Washington - Baltimore CMSA	Jan	1.3%		2.4%		2.9%
Retail Trade						
National (sales - nsa)	Feb	9.9%		5.6%		3.1%
Washington MSA (sales - nsa)	Jan	6.6%		6.5%		4.1%
Maryland (sales tax)	Jan	6.7%		3.5%		1.6%
Montgomery County (sales tax)	Jan	5.3%		4.0%		0.9%
Employment						
National (household data - nsa)	Feb	137,384,000	136,433,000	137,736,000	136,485,000	136,485,000
- Percent Change		0.7%		0.9%		-0.3%
Washington PMSA (household data - nsa)	Jan	2,777,556	2,714,901	2,763,091	2,719,777	2,719,777
- Percent Change		2.3%		1.6%		3.7%
Montgomery County (resident)	Jan	497,205	486,162	495,052	489,673	489,673
- Percent Change		2.3%		1.1%		2.5%
Montgomery County (payroll)	Sept. '03	450,398	450,285	448,716	447,833	449,195
- Percent Change		0.0%		0.2%		0.7%
Unemployment						
National (nsa)	Feb	6.0%	6.4%	6.0%	5.8%	5.8%
Maryland (nsa)	Jan	4.7%	4.7%	4.3%	4.4%	4.4%
Washington PMSA	Jan	3.3%	3.6%	3.4%	3.7%	3.7%
Montgomery County	Jan	2.6%	2.7%	2.5%	2.8%	2.8%
Construction						
Construction Starts - Montgomery County						
Total (\$ thousand)	Feb	\$60,044	\$67,250	\$949,138	\$1,656,106	\$1,659,106
- Percent Change		-10.7%		-42.7%		9.5%
Residential (\$ thousand)	Feb	\$27,615	\$23,898	\$567,664	\$802,476	\$802,476
- Percent Change		15.6%		-29.3%		-4.2%
Non-Residential (\$ thousand)	Feb	\$32,429	\$43,352	\$381,474	\$856,630	\$856,630
- Percent Change		-25.2%		-55.5%		25.0%
Building Permits (Residential)						
National	Feb	130,500	124,159	1,862,365	1,747,678	1,747,678
- Percent Change		5.1%		6.6%		6.8%
Maryland	Jan	1,845	2,124	30,125	29,293	29,293
- Percent Change		-13.1%		2.8%		0.8%
Montgomery County	Jan	344	374	4,590	5,013	5,013
- Percent Change		-8.0%		-8.4%		-1.5%
Building Permits (Non-Residential)						
Montgomery County	Feb	135	107	1,798	1,858	1,858
- Percent Change		26.2%		-3.2%		-11.6%
Real Estate						
National (saar)						
Sales	Jan	6,040,000	5,920,000	6,100,000	5,566,000	5,566,000
- Percent Change		2.0%		9.6%		5.1%
Median Price	Jan	\$168,700	\$160,000	\$170,000	\$158,100	\$158,100
- Percent Change		5.4%		7.5%		7.0%
Montgomery County						
Sales	Feb	896	931	16,534	16,071	16,071
- Percent Change		-3.8%		2.9%		3.4%
Average Price	Feb	\$371,131	\$320,183	\$362,997	\$320,708	\$320,708
- Percent Change		15.9%		13.2%		16.6%
Median Price	Feb	\$308,225	\$260,000	\$295,500	\$255,845	\$255,845
- Percent Change		18.5%		15.5%		19.0%
Average Days on the Market	Feb	31	38	27	20	20